



UNIVERSITI PUTRA MALAYSIA

**THE DIFFERENCES BETWEEN ISO 9000
CERTIFIED COMPANIES AND NON-ISO COMPANIES
IN TERMS OF EMPLOYEE JOB SATISFACTION, COMMITMENT
AND ORGANIZATIONAL PERFORMANCE IN SERVICE INDUSTRY**

ABDUL KADIR BIN OTHMAN

GSM 2001 4

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NON-ISO COMPANIES IN TERMS OF EMPLOYEE JOB SATISFACTION,
COMMITMENT AND ORGANIZATIONAL PERFORMANCE
IN SERVICE INDUSTRY**

By

ABDUL KADIR BIN OTHMAN

**Thesis Submitted in Fulfilment of the Requirements for the Degree of Master of
Science in Management at the Malaysian Graduate School of Management
Universiti Putra Malaysia**

May 2001



Abstract of thesis presented to the Senate of Universiti Putra Malaysia in partial fulfilment of the requirement for the degree of Master of Science.

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ABDUL KADIR BIN OTHMAN

May 2001

Chairman : Associate Professor Hj. Zainal Abidin Kidam

Faculty : Economics and Management

This study is designed to examine the differences between ISO 9000 certified companies and non-ISO companies in terms of employee job satisfaction and commitment and organisational performance (intention to turnover, perceived absenteeism and work performance) in service organisations. ISO 9000 is one of various strategies used by the organisation in order to improve ways of doing business. It involves change in terms of work environment, culture, structure, and the work itself. ISO 9000 has promised that employees would be more satisfied and committed to the organisation as it encourages employees' participation and involvement in designing their jobs. These promises have yet to be proven.

For the purpose of the study, several variables are identified and included in the study. These variables are believed to have potential relationships with job satisfaction,

commitment and organisational performance like employee turnover, absenteeism and work performance following an introduction of ISO 9000 in the organisation. The variables concerned are job characteristics, work relationships and employees fundamental employment contract.

The subjects for the study are the employees of the service organisations that have implemented ISO 9000 in the last few years and the employees of non-ISO organisations. By focusing on these two types of organisations, we are able to assess the differences between ISO 9000 certified companies and non-ISO companies. Stratified Random Sampling are utilised to select the respondents. Two groups of employees consisting of executives and non-executives were randomly selected. Data from the sample are be analysed using several statistical tools in order to measure the degree of associations and differentiation.

The major findings in the study are that job characteristics and perceived absenteeism were found significantly lower in ISO 9000 certified companies than in non-ISO companies. Job characteristics and work relationships were found significantly higher among executives than non-executives were. Moreover, younger/new and single employees were found less satisfied with most aspects of their job and less committed to their organisations compared to older/longer service and married employees. These findings contribute in helping managers in identifying areas seriously affected after the implementation of the quality system and it provides some recommendations in that direction. In addition, the study has established a basis for future research.

Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk ijazah Master Sains.

**PERBEZAAN DI ANTARA SYARIKAT YANG MENDAPAT
PENGIKTIRAFAN ISO 9000 DAN SYARIKAT YANG TIDAK MENDAPAT
PENGIKTIRAFAN ISO 9000 BERHUBUNG DENGAN KEPUASAN BEKERJA,
KOMITMEN DAN PRESTASI ORGANISASI DALAM INDUSTRI
PERKHIDMATAN**

Oleh

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Kajian ini bertujuan untuk mengkaji perbezaan di antara syarikat yang mendapat pengiktirafan ISO 9000 dan syarikat yang tidak mendapat pengiktirafan ISO 9000 berhubung dengan kepuasan kerja pekerja, komitmen dan prestasi organisasi (keinginan berhenti kerja, hasrat tidak hadir bekerja dan prestasi kerja) dalam industri perkhidmatan. ISO 9000 adalah salah satu daripada strategi yang digunakan oleh organisasi untuk memperbaiki cara menjalankan perniagaan. Ia melibatkan perubahan suasana kerja, budaya kerja, struktur kerja dan kerja itu sendiri. ISO 9000 telah menjanjikan bahawa pekerja akan lebih berpuashati dan komited dengan organisasi mereka kerana ia menggalakkan pekerja melibatkan diri dalam proses pembentukan kerja mereka. Namun, janji ini masih belum terbukti.

Untuk tujuan kajian, beberapa pembolehubah telah dikenalpasti dan dimasukkan ke dalam kajian ini, Pembolehubah ini dipercayai mempunyai potensi hubungan dengan kepuasan kerja, komitmen dan prestasi organisasi selepas ISO 9000 diperkenalkan dalam organisasi mereka. Pembolehubah-pembolehubah tersebut ialah ciri-ciri kerja, hubungan kerja dan asas kontrak pekerjaan pekerja.

Subjek kajian adalah pekerja-pekerja daripada organisasi-organisasi perkhidmatan yang telah mendapat pengiktirafan IS 9000 beberapa tahun kebelakangan dan pekerja-pekerja daripada organisasi-organisasi perkhidmatan yang tidak melibatkan diri dalam ISO 9000. Dengan memberi tumpuan kepada kedua-dua jenis organisasi ini, membolehkan kajian mengenai perbezaan berkenaan kedua-dua organisasi ini dibuat. 'Stratified Random Sampling' digunakan untuk memilih responden. Dua kumpulan pekerja merangkumi eksekutif dan bukan eksekutif dipilih secara rawak. Data daripada tiap-tiap sampel dianalisa menggunakan beberapa kaedah statistik bagi membolehkan kajian perhubungan dan perbezaan.

Hasil kajian menunjukkan bahawa ciri-ciri kerja, hasrat tidak hadir bekerja adalah rendah dalam syarikat yang mendapat pengiktirafan ISO 9000 berbanding dengan syarikat yang tidak mendapat pengiktirafan ISO 9000. Ciri-ciri kerja dan hubungan kerja di kalangan eksekutif didapati tinggi berbanding dengan bukan eksekutif. Selain daripada itu, pekerja yang lebih muda/baru dan yang masih bujang didapati kurang berpuashati dengan kebanyakan aspek kerja mereka dan kurang komited dengan organisasi mereka berbanding dengan pekerja yang lebih tua/lama dan yang telah

berkahwin. Hasil kajian ini menyumbang dalam membantu pihak pengurusan dalam mengenalpasti kesan perlaksanaan sistem qualiti ke atas aspek-aspek pekerjaan dan kajian ini juga menyediakan cadangan-cadangan untuk memperbaiki keadaan. Selain itu, kajian ini telah menyediakan suatu dasar untuk kajian akan datang.

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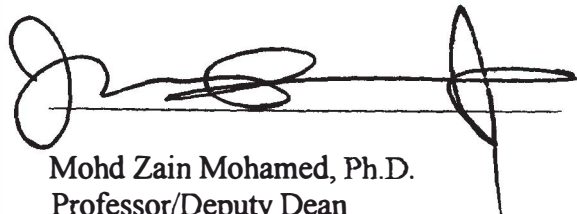
I certify that an Examination Committee met on 15th May 2001 to conduct the final examination of Abdul Kadir bin Othman on his Master of Science thesis entitled “The Differences between ISO 9000 Certified Companies and Non-ISO Companies in terms of Employee Job Satisfaction, Commitment and Organisational Performance in Service Industry” in accordance with Universiti Pertanian Malaysia (Higher Degree) Act 1980 and Universiti Pertanian Malaysia (Higher Degree) Regulations 1981. The Committee recommends that the candidate be awarded the relevant degree. Members of the Examination Committee are as follows:

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DECLARATION

I hereby declare that the thesis is based on my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at UPM or other institutions.



Abdul Kadir Bin Othman

Date: 23 May 2001

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LIST OF ABBREVIATIONS/NOTATIONS/GLOSSARY OF TERMS

	Meanings
Feedback from job	Carrying out the work activities required by the job results in the employee obtaining direct and clear information about the effectiveness of his or her performance.
Fundamental Employment Contract	Comprises of job security, pay satisfaction and career growth.
ISO 9000 Quality Standards	An international standard for quality systems comes from the Greek root, <i>isos</i> , meaning equal or uniform.
Job Autonomy	The job provides substantial freedom, independence, and discretion to the employee in scheduling the work and in determining the procedures to be used in carrying it out.
Job Characteristics	Comprises of task identity, task significance, skills variety, feedback from the job, feedback from others and job autonomy.
Organisational Characteristics or Work Relationships	Comprises of relationship with co-workers and relationship with supervisors.
Organisational Performance	Comprises of intention to turnover, perceived absenteeism and work performance.
Skills variety	The job requires a variety of different activities, skills and talents in carrying out the work.
Task identity	The job requires completion of a whole and identifiable piece of work.
Task significance	The job has a substantial impact on the lives or work of other people.
TQM	Total Quality Management

CHAPTER ONE

INTRODUCTION

In recent years, ISO 9000 has gained significant acceptance in many organisations in Malaysia. Most of these organisations believe that ISO 9000 can assist them in surviving the turbulent business environment and achieving competitive advantage over their competitors. The main reason behind this adoption is that the quality has become increasingly important features that the customers value. Customers are now more aware and looking for quality products and services than they were in previous years. Satisfaction is the focal point for the shift in their behaviour. Because of this reason, some companies use ISO 9000 certification as a way to show their customers that they are quality concern and looking forward to providing only quality products or services.

Several benefits of ISO 9000 registration are derived from the consistency it brings to the organisation. The external benefits include higher products quality, greater competitive advantage, improved customer satisfaction, sales increase, access to global market, and fewer customer audits. The internal benefits comprise of better documentation and reduced paperwork, greater quality awareness, better trained workforce, positive cultural change, increased operational efficiency/productivity, improved communication among employees, increased employee motivation, role acceptance and personal accountability for job performance.

Nevertheless, there are some costs of ISO 9000 that have to be tolerated by the companies adopting this quality initiative. There are two main types of costs: initial costs and ongoing costs. The initial costs include, first, a set up and implementation time for management and staff, e.g. documenting procedures and management responsibilities, carrying out audit visit to suppliers, etc., second, consultancy, and lastly, training required for quality manager, staff to use the system, and internal quality auditors. The ongoing costs include maintaining the system and on-going assessments.

Because of the benefits that can be gained by the companies adopting ISO 9000 outweigh the costs of implementing the system, a lot of companies have taken it as an integral part of companies' quality initiatives. Nearly 50 percent of companies surveyed by Price Waterhouse, believe it is important to have some type of quality certification, such as registration to the ISO 9000 series of international quality standards. As more companies with ISO 9000 certification demand that their suppliers also pursue certification, ISO 9000 is becoming more important to doing business here and around the world (Hill, 1994).

Problem Statement

ISO 9000 quality standards have long established its standing among the business companies around the world including Malaysia. It has been accepted as a way to improve the quality of the products and services, increase profitability, reduce costs

associated with the poor quality, and increase customer satisfaction. There are number of research and case studies that have been conducted by researchers and practitioners regarding the outcomes of ISO 9000 series. However, the human related outcomes of this quality initiative have yet to be proven.

In ISO quality standards and other quality initiatives, employees are believed to be satisfied and committed with their job as a result of increase employee participation and involvement in decision making process (Wilkinson et al, 1998; Hackman & Wageman, 1995). Also, the reward system under ISO 9000 series is said to increase their level of satisfaction and commitment as employees will be rewarded based on the team performance not on individual basis. These believes need to be proven, as employees are the important elements of the organisation that have to be taken care of. Ishikawa (1985) has mentioned that an organisation whose members are not happy and cannot be happy does not deserve to exist.

However, in practice, ISO 9000 series may bring negative effects on employees in service organisations. Unlike other organisations, these employees are dealing with the intangible products. There is a difficulty in measuring the products' quality and standardising the products. Implementation of ISO 9000 requires the employees to strictly follow the procedures and standards in order to produce quality and standardised products. Because of the unseen result of the standards, employees will see these quality initiatives as a burden, hence, their level of satisfaction and commitment will be affected.

ISO 9000 involves change to the organisations. When change is on a large scale, and involves many individuals and subunits, there are often significant problems (Harvey and Brown, 1996; Ferguson & Cheyne, 1995). When ISO 9000 is implemented, employees are assigned with different job and with increased workload and paperwork, facing different working environment, different management style and different organisation culture.

Basically, these changes can be grouped into four main themes namely, job-related characteristics (task identity, skill variety, task significant, autonomy and feedback from the job), organisation characteristics or work relationships (relationship with supervisors and relationship with co-workers) and employee employment contract (job security, pay and growth). These factors are the contributors to the reduction in job satisfaction and commitment if change is implemented without proper change interventions and this consequently will affect the employees' performance (Schweiger & DeNisi, 1991).

Employee reactions to these changes can be observed from two different angles; short-term and long-term. If their reactions are of short-term in nature, employees are dissatisfied and these feelings are fading over time. However, if their dissatisfaction persists, their commitment and loyalty to the organisation will be affected as Porter et al. (1974) found that job satisfaction is more transitory in nature, which could account for the shifts in mean degrees of satisfaction over time. Commitment, on the other hand, requires greater amount of time to be established. This process is likely to result in a stable and enduring level of commitment (Porter et al., 1974). Therefore, study needs to

be conducted to analyse the difference brought by ISO 9000 quality standards on employee attitudes, namely job satisfaction and commitment, and the outcomes from these attitudinal changes, compared to those of non-ISO organisations.

Objectives of the Study

The main objective of the study is to analyse the differences between ISO 9000 certified companies and non-ISO companies in terms of employee attitudes, namely job satisfaction and commitment and organisational performance (intent-to-turnover, absenteeism and work performance). Basically, ISO 9000 brings substantive change in job characteristics, organisational characteristics and employment contracts. These changes can cause depression, greater responsibility, and increased workload to employees and loss of control to top management if not properly managed. The reversed effects are expected if the introduced change is toward more desirable conditions. Therefore, this study is proposed to find out whether changes in these job characteristics and organisational characteristics or work relationships have significant relation on overall employee job satisfaction and commitment.

Specifically, this study is meant to study the areas that are seriously affected during ISO 9000 implementation and how these changes can be associated with employee job satisfaction and commitment. In other words, after implementation of ISO 9000, changes in job and organisation factors are usually predictable. These changes whether

big or small, significant or insignificant, related or unrelated to job satisfaction and commitment, need to be investigated so that appropriate actions can be suggested to improve the undesired conditions.

Lastly, the study is also designed at suggesting ways to lessen the impact of ISO 9000 on employee attitudes. In other words, it is aimed at finding the suitable interventions used for successful changed programs as specific intervention is dependent upon the nature of the target system (Harvey and Brown, 1996). Wahlstedt and Edling (1997) found that a carefully crafted intervention succeeded in reducing corrosive effect of changed associated stress.

Significance of the Study

The findings of the research provide clear picture on employee level of job satisfaction and commitment, thus, help the management by highlighting areas to be focused in order to improve their level of satisfaction and commitment. In addition, the findings provide the information on the employee perceptions and expectations on the organisation. The management can use these findings to improve the unfavourable part of the organisation.